

VILLAGE OF PALMETTO, LOUISIANA

Financial Report

Year Ended July 31, 2012

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INDEPENDENT AUDITOR'S REPORT

The Honorable Mayor Jeff Benhard, II, Mayor
and the Board of Aldermen
Palmetto, Louisiana

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Palmetto, Louisiana, as of and for the year ended July 31, 2012, which collectively comprise the basic financial statements of the Village as listed in the table of contents. These financial statements are the responsibility of the Village of Palmetto, Louisiana's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund for the Village of Palmetto, Louisiana, as of July 31, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued a report dated January 30, 2013, on our consideration of the Village of Palmetto, Louisiana's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the Internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The Village of Palmetto, Louisiana has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on page 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in the appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Palmetto, Louisiana's financial statements as a whole. The accompanying financial information listed as "Other Supplementary Information" in the table of contents, is presented for purposes of additional analysis and is not a required part of the financial statements. The "Other Supplementary Information" has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide assurance on it.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
January 30, 2013

BASIC FINANCIAL STATEMENTS

VILLAGE OF PALMETTO, LOUISIANA

Statement of Net Assets
July 31, 2012

	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and cash equivalents	\$ 29,862	\$ 203,683	\$ 233,545
Certificates of deposit	-	71,293	71,293
Accounts receivable, net	-	34,752	34,752
Due from other governmental agencies	2,964	-	2,964
Other receivables	780	-	780
Unbilled services receivable	-	6,124	6,124
Restricted assets:			
Cash and cash equivalents	-	80,740	80,740
Certificates of deposit	-	66,136	66,136
Capital assets:			
Non-depreciable	5,250	32,069	37,319
Depreciable, net	692,423	2,320,492	3,012,915
Bond issue costs, net of accumulated amortization	-	4,860	4,860
Total assets	<u>731,279</u>	<u>2,820,149</u>	<u>3,551,428</u>
Liabilities:			
Accounts payable and accrued expenses	12,305	14,644	26,949
Internal balances	13,790	(13,790)	-
Customer deposits	-	55,984	55,984
Accrued interest on bonds	-	7,326	7,326
Long-term liabilities:			
Portion due or payable within one year -			
Bonds payable	-	24,059	24,059
Portion due or payable after one year -			
Bonds payable	-	529,254	529,254
Total liabilities	<u>26,095</u>	<u>617,477</u>	<u>643,572</u>
Net Assets:			
Investment in capital, net of related debt	697,673	1,799,248	2,496,921
Restricted for debt service	-	87,878	87,878
Unrestricted	7,511	315,546	323,057
Total net assets	<u>\$ 705,184</u>	<u>\$ 2,202,672</u>	<u>\$ 2,907,856</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Statement of Activities
Year Ended July 31, 2012

Activities	Expenses	Program Revenues		Net (Expense) Revenues and Changes in Net Assets		
		Fees, Fines, and Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Government activities:						
General government	\$ 34,785	\$ 91	-	\$ (34,694)	\$ -	\$ (34,694)
Public safety	76,814	8,245	-	(68,569)	-	(68,569)
Highways and streets	<u>51,971</u>	<u>23,877</u>	<u>-</u>	<u>(28,094)</u>	<u>-</u>	<u>(28,094)</u>
Total government activities	<u>163,570</u>	<u>32,213</u>	<u>-</u>	<u>(131,357)</u>	<u>-</u>	<u>(131,357)</u>
Business type activities:						
Gas	283,715	262,458	-	-	(21,257)	(21,257)
Water	<u>314,974</u>	<u>245,396</u>	<u>17,112</u>	<u>-</u>	<u>(52,466)</u>	<u>(52,466)</u>
Total business-type activities	<u>598,689</u>	<u>507,854</u>	<u>17,112</u>	<u>-</u>	<u>(73,723)</u>	<u>(73,723)</u>
Total	<u>\$ 762,259</u>	<u>\$ 540,067</u>	<u>\$ 17,112</u>	<u>\$ (131,357)</u>	<u>\$ (73,723)</u>	<u>\$ (205,080)</u>
General Revenues:						
Taxes				\$ 13,323	\$ -	\$ 13,323
Licenses and permits				15,386	-	15,386
Grants and contributions not restricted to specific programs				29,017	-	29,017
Interest				-	1,045	1,045
Miscellaneous				1,128	-	1,128
Transfers				<u>20,000</u>	<u>(20,000)</u>	<u>-</u>
Total general revenues				<u>78,854</u>	<u>(18,955)</u>	<u>59,899</u>
Change in net assets				(52,503)	(92,678)	(145,181)
Net assets - beginning				<u>757,687</u>	<u>2,295,350</u>	<u>3,053,037</u>
Net assets - ending				<u>\$ 705,184</u>	<u>\$ 2,202,672</u>	<u>\$ 2,907,856</u>

The accompanying notes are an integral part of the basic financial statements.

FUND FINANCIAL STATEMENT (FFS)

VILLAGE OF PALMETTO, LOUISIANA

Balance Sheet-Governmental Fund
July 31, 2012

ASSETS	General Fund
Cash and cash equivalents	\$ 29,862
Due from other governmental agencies	2,964
Other receivables	<u>780</u>
Total assets	<u>\$ 33,606</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Account payable	\$ 3,975
Accrued expenses	8,330
Interfund balances	<u>13,790</u>
Total liabilities	<u>26,095</u>
Fund balance:	
Unassigned	<u>7,511</u>
Total fund balance	<u>7,511</u>
Total liabilities and fund balance	<u>\$ 33,606</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Assets
Year Ended July 31, 2012

Total fund balance - governmental fund	\$ 7,511
Total net assets reported for governmental activities in the statement of net assets is different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets, net of depreciation expense	<u>697,673</u>
Total net assets of governmental activities at July 31, 2012	<u>\$ 705,184</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Statement of Revenues, Expenditures and Change in
Fund Balance – Governmental Fund
Year Ended July 31, 2012

	<u>General Fund</u>
Revenues:	
Taxes	\$ 13,323
Licenses and permits	15,386
Intergovernmental	-
Charges for services	23,968
Fines and forfeitures	8,245
Miscellaneous	30,145
Total revenues	<u>91,067</u>
Expenditures:	
Current -	
General government	24,435
Public safety	74,207
Highways and street	15,171
Capital outlay	4,319
Total expenditures	<u>118,132</u>
Deficiency of revenues over expenditures	(27,065)
Other financing sources:	
Operating transfers in	<u>20,000</u>
Net change in fund balance	(7,065)
Fund balances, beginning	<u>14,576</u>
Fund balances, ending	<u>\$ 7,511</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance of Governmental Fund
to the Statement of Activities
Year Ended July 31, 2012

Net change in fund balance - total governmental fund \$ (7,065)

The change in net assets reported for governmental activities
in the statement of activities is different because:

Governmental funds report capital outlays as expenditures.
However, in the statements of activities, the cost of those
assets is allocated over their estimated useful lives and
reported as depreciation expense.

Capital outlay	4,319
Depreciation expense	<u>(49,757)</u>

Change in net assets of governmental activities	<u>\$ (52,503)</u>
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The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Proprietary Funds
Statement of Net Assets
Business-Type Activities – Enterprise Funds
July 31, 2012

	Gas Utility	Water Utility	Total
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	\$ 144,793	\$ 58,890	\$ 203,683
Certificates of deposit	51,328	19,965	71,293
Accounts receivable, net	16,311	18,441	34,752
Unbilled services receivable	2,574	3,550	6,124
Interfund balances	11,848	3,907	15,755
Total current assets	<u>226,854</u>	<u>104,753</u>	<u>331,607</u>
NONCURRENT ASSETS			
Restricted assets:			
Cash and cash equivalents	7,537	73,203	80,740
Certificates of deposit	18,174	47,962	66,136
Total noncurrent assets	<u>25,711</u>	<u>121,165</u>	<u>146,876</u>
CAPITAL ASSETS			
Land	29,238	2,831	32,069
Utility plant and equipment	712,431	2,966,038	3,678,469
Furniture, fixtures and equipment	41,849	17,086	58,935
Vehicles	44,799	13,288	58,087
Buildings	107,855	71,834	179,689
Accumulated depreciation	(662,914)	(991,774)	(1,654,688)
Total capital assets	<u>273,258</u>	<u>2,079,303</u>	<u>2,352,561</u>
BOND ISSUE COSTS, net of accumulated amortization	<u>-</u>	<u>4,860</u>	<u>4,860</u>
Total assets	<u>\$ 525,823</u>	<u>\$ 2,310,081</u>	<u>\$ 2,835,904</u>

	Gas Utility	Water Utility	Total
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES			
(payable from current assets)			
Accounts payable and accrued expenses	\$ 6,501	\$ 8,143	\$ 14,644
Interfund balances	1,965	-	1,965
Total	<u>8,466</u>	<u>8,143</u>	<u>16,609</u>
CURRENT LIABILITIES			
(payable from restricted assets)			
Customers' deposits	30,024	25,960	55,984
Accrued interest on bonds	-	7,326	7,326
Bonds payable, due currently	-	24,059	24,059
Total	<u>30,024</u>	<u>57,345</u>	<u>87,369</u>
Total current liabilities	<u>38,490</u>	<u>65,488</u>	<u>103,978</u>
NONCURRENT LIABILITIES			
Bonds payable	-	529,254	529,254
Total liabilities	<u>38,490</u>	<u>594,742</u>	<u>633,232</u>
NET ASSETS			
Invested in capital assets, net of related debt	273,258	1,525,990	1,799,248
Restricted for debt service	-	87,878	87,878
Unrestricted	<u>214,075</u>	<u>101,471</u>	<u>315,546</u>
Total net assets	<u>487,333</u>	<u>1,715,339</u>	<u>2,202,672</u>
Total liabilities and net assets	<u>\$ 525,823</u>	<u>\$ 2,310,081</u>	<u>\$ 2,835,904</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Statements of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds

Business-Type Activities – Enterprise Funds

Year Ended July 31, 2012

	Gas Utility	Water Utility	Total
Operating revenues:			
Charges for services	\$ 246,401	\$ 229,215	\$ 475,616
Other	<u>5,299</u>	<u>16,181</u>	<u>21,480</u>
Total operating revenues	<u>251,700</u>	<u>245,396</u>	<u>497,096</u>
Operating expenses:			
Gas purchases	47,788	-	47,788
Personnel costs	104,505	99,129	203,634
Contract labor	-	6,460	6,460
Operating and maintenance	15,913	37,952	53,865
Truck expenses	6,522	6,002	12,524
Travel	6,028	436	6,464
Office supplies and expenses	7,085	9,539	16,624
Computer	2,175	3,757	5,932
Telephone and utilities	24,547	18,891	43,438
Insurance	26,307	21,139	47,446
Professional fees	4,000	4,000	8,000
Depreciation	28,673	73,360	102,033
Amortization	-	147	147
Other	<u>8,652</u>	<u>7,982</u>	<u>16,634</u>
Total operating expenses	<u>282,195</u>	<u>288,794</u>	<u>570,989</u>
Operating loss	<u>(30,495)</u>	<u>(43,398)</u>	<u>(73,893)</u>
Nonoperating revenues (expenses):			
Interest revenue	532	513	1,045
Interest expense	-	(26,180)	(26,180)
Grant revenue	-	17,112	17,112
Rent	10,758	-	10,758
Other	<u>(1,520)</u>	<u>-</u>	<u>(1,520)</u>
Total nonoperating revenues (expenses)	<u>9,770</u>	<u>(8,555)</u>	<u>1,215</u>
Loss before transfers	(20,725)	(51,953)	(72,678)
Transfers in	-	10,000	10,000
Transfers out	<u>(30,000)</u>	<u>-</u>	<u>(30,000)</u>
Change in net assets	(50,725)	(41,953)	(92,678)
Net assets, beginning	<u>538,058</u>	<u>1,757,292</u>	<u>2,295,350</u>
Net assets, ending	<u>\$ 487,333</u>	<u>\$ 1,715,339</u>	<u>\$ 2,202,672</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Statement of Cash Flows
Proprietary Funds
Business-Type Activities – Enterprise Funds
Year Ended July 31, 2012

	Gas Utility	Water Utility	Total
Cash flows from operating activities:			
Receipts from customers	\$ 242,155	\$ 232,069	\$ 474,224
Payments to suppliers for goods and services	(148,880)	(116,001)	(264,881)
Payments to employees and for employee related costs	(99,490)	(94,563)	(194,053)
Other receipts	5,299	16,181	21,480
Net cash provided (used) by operating activities	(916)	37,686	36,770
Cash flows from noncapital financing activities:			
Transportation charges, net	2,400	-	2,400
Increase (decrease) in customer's deposits, net of refunds	3,348	2,298	5,646
Operating transfers to other funds	(30,000)	10,000	(20,000)
Net cash provided (used) by noncapital financing activities	(24,252)	12,298	(11,954)
Cash flows from capital and related financing activities:			
Principal payments on bonds	-	(22,743)	(22,743)
Purchases of fixed assets	(3,806)	(20,918)	(24,724)
Interest paid	-	(26,491)	(26,491)
Rents collected	10,758	-	10,758
Other	(3,920)	17,112	13,192
Net cash provided (used) by capital and related financing activities	3,032	(53,040)	(50,008)
Cash flows from investing activities:			
Interest received	532	513	1,045
Purchases of investments	(381)	(370)	(751)
Net cash provided (used) by investing activities	151	143	294
Net increase (decrease) in cash and cash equivalents	(21,985)	(2,913)	(24,898)
Cash and cash equivalents, beginning of year	174,315	135,006	309,321
Cash and cash equivalents, end of year	\$ 152,330	\$ 132,093	\$ 284,423

(Continued)

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Statement of Cash Flows
Proprietary Funds (Continued)
Business-Type Activities – Enterprise Funds
Year Ended July 31, 2012

	Gas Utility	Water Utility	Total
Reconciliation of operating income to net cash provided by operating activities			
Operating income (loss)	\$ (30,495)	\$ (43,398)	\$ (73,893)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	28,673	73,508	102,181
Changes in assets and liabilities -			
(Increase) decrease in receivables, gross	(4,246)	2,854	(1,392)
Increase (decrease) in accounts payable	137	156	293
Increase (decrease) in accrued liabilities	5,015	4,566	9,581
Net cash provided by operating activities	<u>\$ (916)</u>	<u>\$ 37,686</u>	<u>\$ 36,770</u>
Cash and cash equivalents shown on statement of net assets as:			
Current assets -			
Cash and cash equivalents	\$ 144,793	\$ 58,890	\$ 203,683
Restricted assets -			
Cash and cash equivalents	<u>7,537</u>	<u>73,203</u>	<u>80,740</u>
	<u>\$ 152,330</u>	<u>\$ 132,093</u>	<u>\$ 284,423</u>

The accompanying notes are an integral part of the basic financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Village of Palmetto, Louisiana (the “Village”) are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements for both the business-type activities and proprietary fund financial statements. Although the Village has the option to apply FASB pronouncements issued after that date, they have chosen not to do so. The more significant of the village’s accounting policies are described below.

Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Primary government –

Village of Palmetto – The Village operates under an elected Mayor/Aldermen (three members) form of government. The Village’s operations include police protection, streets and drainage, and general administrative services. The Village owns and operates gas and water utilities systems.

Component Units –

Governmental Accounting Standards Board (GASB) Statement No. 14, “The Financial Reporting Entity” establishes criteria for determining which entities should be considered a component unit and, as such, part of the reporting entity for financial reporting purposes. The basic criteria are as follows:

1. Legal status of the potential component unit including the right to incur its own debt, levy its own taxes and charges, expropriate property in its own name, sue and be sued, and the right to buy sell and lease property in its own name.
2. Whether the primary government’s governing authority (Aldermen or Mayor) appoints a majority of board members of the potential component unit.
3. Fiscal interdependency between the primary government and the potential component unit.
4. Imposition of will by the primary government on the potential component unit.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

5. Financial benefit/burden relationship between the primary government and the potential component unit.

Based on the above criteria, the Village has no component units.

Basis of Presentation

The Village's basic financial statements consist of the government-wide statements on all of the non-fiduciary activities of the government and the fund financial statements. The statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to governmental units.

Government-Wide Financial Statements (GWFS)

The government-wide financial statements include the statement of net assets and the statement of activities for all non-fiduciary activities of the government. As a general rule, the effect of interfund activity has been removed from these statements. These statements distinguish between the governmental and business-type activities of the Village. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business type activities are financed in whole or in part by fees charged to external parties.

In the government-wide statement of net assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Village's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The Village first utilizes restricted resources to finance qualifying activities.

The government-wide statement of activities reports both the gross and net cost of each of the Village's functions and business-type activities. The functions are also supported by general government revenues (property taxes, licenses and permits, certain intergovernmental revenues, etc.) The statement of activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or a business-type activity. Operating grants include operating specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants. The net cost (by function or business-type activity) is normally covered by general revenue (property taxes, licenses and permits, intergovernmental revenues, investment income, etc.). The Village does not allocate indirect costs.

The government-wide focus is more on the sustainability of the Village as an entity and the change in the Village's net assets resulting from the current year's activities.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fund Financial Statements

The fund financial statements provide information about the Village's funds. Separate statements for each fund category – governmental and proprietary – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as investment income, result from nonexchange transactions or ancillary activities.

The Village reports the following major governmental fund:

General Fund

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the government, except those required to be accounted for in another fund.

The Village reports the following major enterprise funds:

Gas Utility Fund

This fund accounts for the provision of gas service to the residents of the Village and some residents of the Parish. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Water Utility Fund

This fund accounts for the provision of water service to the residents of the Village and some residents of the Parish. All activities necessary to provide such service are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

The emphasis in fund financial statements is on the major funds in either the governmental or business-type activities categories. GASB No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. All of the Village's funds are considered major funds for the year ended July 31, 2012.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

Government-wide and proprietary fund financial statements -

The government-wide and proprietary fund statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Village gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, property taxes are recognized in the year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements -

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Ad valorem taxes are recognized as revenue in the year for which budgeted, that is, in the year in which such taxes are billed and collected. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. All other receivables collected within 60 days after year end are considered available and recognized as revenue of the current year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources. Purchases of various operating supplies are regarded as expenditures at the time purchased.

Cash and Cash Equivalents

Cash includes amounts in demand deposits, with the paying agent and on hand. Highly liquid investments (including restricted assets) with an original maturity of three months or less and investments in LAMP are considered to be cash equivalents for purposes of statement of cash flows for the proprietary funds.

Deposits

The Village is exposed to custodial credit risk as it relates to their deposits with financial institutions. The Village's policy to ensure there is no exposure is to require each financial institution to pledge their own securities to cover any amount in excess of Federal Depository Insurance Coverage in the Village's name. These securities are to be held at a third party bank. Accordingly, the Village had no custodial credit risk related to its deposits at July 31, 2012.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments

State statutes authorize the Village to invest in United States bonds, treasury notes, or certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana.

Interfund Balances

Short-term cash borrowings between funds are considered temporary in nature. These are reported as interfund balances in the fund financial statements. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Receivables

Accounts receivable for the Gas and Water Fund are reported net of an allowance for doubtful accounts. The allowance amount at July 31, 2012 for the Gas and Water Fund was \$998 and \$889, respectively.

Bond Discount/Issuance Costs

In governmental funds, bond discounts and issuance costs are recognized in the current period. In proprietary funds (and for governmental activities, in the government-wide statements), bond discount and issuance costs are deferred and amortized over the terms of the bonds to which such discounts and costs apply.

Restricted assets

Certain resources of the Gas and Water Utility Funds are classified as restricted assets on the statement of net assets because their use is limited by bond ordinances or because they represent customers' deposits being held by the Village.

Fixed Assets

The accounting treatment over property, plant, and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide financial statements –

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are capitalized at historical cost, or estimated historical cost for assets where actual historical cost is not available. Donated assets are recorded as capital assets at their estimated fair market value at the date of donation. Prior to August 1, 2003, governmental funds' infrastructure assets were not capitalized. As provided for in GASB 34, the Village has not retroactively reported infrastructure. All infrastructure from August 1, 2003 forward is capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

	<u>Years</u>
Utility plant and equipment	5 - 50
Buildings and improvements	25 - 40
Furniture, fixtures, equipment and vehicles	3 - 25
Infrastructure	25
Land improvements	25

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Fund financial statements –

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide financial statements.

Compensated absences

Employees of the Village earn annual leave of five working days per year and may accumulate a maximum of five days of annual leave, which is paid at termination. Through July 31, 2012, all material available leave has been taken, and therefore, no liability is recorded.

Sick leave is earned at the rate of 5/6 day for each month worked. There is no maximum amount of sick leave which may be accumulated; however, no sick leave is paid to employees at termination.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Long-term debt

The accounting treatment of long-term debt depends on whether the debt relates to governmental or proprietary fund obligations and whether it is reported in the government-wide or fund financial statements.

All long-term debt to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements. Long-term debt consists of bonds payable.

Long-term debt for governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. Long-term debt in proprietary fund operations is accounted for the same in the fund financial statements as it is in the government-wide financial statements.

Equity Classifications

Government-wide financial statements –

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds or other borrowing that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Consist of net assets with constraints placed on the use either by (1) external groups, such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Fund financial statements –

During the fiscal year ended July 31, 2011, the Village adopted GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which significantly changed the reporting of fund balance in the balance sheets of governmental type funds. As a result, fund balances are classified as follows in the governmental fund financial statements.

- a. Nonspendable fund balances – Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact.
- b. Restricted fund balances – Amounts that can be spent only for specific purposes because of the Lawrason Act, Village ordinances, state or federal laws, or externally imposed conditions by grantors, creditors, or citizens.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- c. Unassigned fund balances – All amounts not included in other spendable classifications.

The Village considers restricted fund balances to be spent for governmental expenditures first when both restricted and unrestricted resources are available.

Interfund transfers

Permanent reallocations of resources between funds of the primary government are classified as interfund transfers. For the purposes of the statement of activities, all interfund transfers between individual governmental and proprietary funds have been eliminated.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Impairments

A capital asset is considered impaired when its service utility has declined significantly and unexpectedly. The Village is required to evaluate prominent events or changes in circumstances affecting capital assets to determine whether impairment of a capital asset has occurred. A capital asset generally should be considered impaired if both (a) the decline in service utility of the capital asset is large in magnitude, and (b) the event or change in circumstance is outside the normal life cycle of the capital asset. The Village recorded no impairment losses during the year ended July 31, 2012.

Subsequent Events

Management has evaluated events through January 30, 2013, the date the financial statements were available to be issued.

NOTE 2 CASH AND CASH EQUIVALENTS

Under state law, the Village may deposit funds within a fiscal agent bank organized under the laws of the State of Louisiana, the laws of any other state in the Union, or the laws of the United States. The Village may invest in the United States bonds, notes or bills as well as certificates and time deposits of state banks organized under Louisiana law and national banks having principal offices in Louisiana. In addition, local governments in Louisiana are authorized to invest in the Louisiana Asset Management Pool, Inc. (LAMP), a nonprofit corporation formed by an initiative of the State Treasurer and organized under the laws of the state of Louisiana, which operates a local government investment pool.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 2 CASH AND CASH EQUIVALENTS (Continued)

At July 31, 2012, the Village has cash and cash equivalents totaling \$336,034 as follows:

Demand deposits	\$ 83,616
Interest-bearing deposits, includes LAMP	<u>230,669</u>
Total	<u>\$ 314,285</u>

As of July 31, 2012, the Village had the following invested in LAMP, Inc:

Louisiana Asset Management Pool (LAMP) - maturity of less than one year	<u>\$ 230,669</u>
--	-------------------

The Village's LAMP deposits were applicable to the following funds at July 31, 2012:

	General Fund	Gas Utility Fund	Water Utility Fund
Current assets	\$ 96	\$ 111,239	\$ 54,476
Restricted assets	<u>-</u>	<u>4,400</u>	<u>60,458</u>
	<u>\$ 96</u>	<u>\$ 115,639</u>	<u>\$ 114,934</u>

LAMP is administered by LAMP, Inc., a nonprofit corporation organized under the laws of the State of Louisiana, which was formed by an initiative of the State Treasurer in 1993. The corporation is governed by a board of directors comprising the State Treasurer, representatives from various organizations of local government, the Government Finance Officers association of Louisiana, and the Society of Louisiana CPA's. Only local governments having contracted to participate in LAMP have an investment interest in its pool of assets. The primary objective of LAMP is to provide a safe environment for the placement of public funds in short-term, high-quality investments. LAMP investments are restricted to securities issued, guaranteed, or backed by the U.S. Treasury, the U.S. government or one of its agencies, enterprises, or instrumentalities, as well as repurchase agreements collateralized by those securities. The dollar weighted average portfolio maturity of LAMP assets is restricted to not more than 90 days, and consists of no securities with a maturity in excess of 397 days. LAMP is designed to be highly liquid to give its participants immediate access to their account balances. Due to this immediate access feature, investments in LAMP are considered cash equivalents by the Village.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 3 CERTIFICATES OF DEPOSIT

The Village held the following certificate of deposit at July 31, 2012:

	Amount	Interest Rate	Maturity
Washington State Bank	\$ 137,429	0.40%	11/14/12

The certificate of deposit of the enterprise funds was applicable to the following at July 31, 2012:

	Gas Utility Fund	Water Utility Fund
Current assets	\$ 51,328	\$ 19,965
Restricted assets	<u>18,174</u>	<u>47,962</u>
	<u>\$ 69,502</u>	<u>\$ 67,927</u>

Credit Risk

Credit risk is defined as the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Village does not have a formal investment policy that addresses this risk. LAMP is rated AAAm by Standard & Poor's at July 31, 2012.

NOTE 4 INTERFUND BALANCES

Interfund balances at July 31, 2012 consist of the following:

	Due From:		Total
	General	Gas	
Due to:			
Gas	\$ 11,848	\$ -	\$ 11,848
Water	<u>1,942</u>	<u>1,965</u>	<u>3,907</u>
Total	<u>\$ 13,790</u>	<u>\$ 1,965</u>	<u>\$ 15,755</u>

The remaining balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended July 31, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land	\$ 5,250	\$ -	\$ -	\$ 5,250
Capital assets being depreciated:				
Land improvements	225,360	-	-	225,360
Buildings and improvements	412,353	-	-	412,353
Equipment	157,060	4,319	-	161,379
Infrastructure	390,697	-	-	390,697
Total capital assets	1,185,470	4,319	-	1,189,789
Less accumulated depreciation				
Land improvements	(89,392)	(9,014)	-	(98,406)
Buildings and improvements	(200,162)	(10,400)	-	(210,562)
Equipment	(86,516)	(14,715)	-	(101,231)
Infrastructure	(71,539)	(15,628)	-	(87,167)
Total accumulated depreciation	(447,609)	(49,757)	-	(497,366)
Total capital assets being depreciated, net	737,861	(45,438)	-	692,423
Governmental activities capital assets, net	\$ 743,111	\$ (45,438)	\$ -	\$ 697,673
	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets not being depreciated -				
Land	\$ 32,069	\$ -	\$ -	\$ 32,069
Capital assets being depreciated -				
Utility plant and equipment	3,661,357	17,112	-	3,678,469
Furniture, fixtures and equipment	58,935	-	-	58,935
Vehicles	50,475	7,612	-	58,087
Buildings	179,689	-	-	179,689
Total capital assets being depreciated	3,950,456	24,724	-	3,975,180

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 5 CAPITAL ASSETS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Less accumulated depreciation for -				
Utility and plant and equipment	(1,378,147)	(81,748)	-	(1,459,895)
Furniture, fixtures and equipment	(41,552)	(5,833)	-	(47,385)
Vehicles	(32,780)	(6,543)	-	(39,323)
Buildings	(100,176)	(7,909)	-	(108,085)
Total accumulated depreciation	<u>(1,552,655)</u>	<u>(102,033)</u>	<u>-</u>	<u>(1,654,688)</u>
Total capital assets being depreciated, net	<u>2,397,801</u>	<u>(77,309)</u>	<u>-</u>	<u>2,320,492</u>
Business-type activities capital assets, net	<u>\$ 2,429,870</u>	<u>\$ (77,309)</u>	<u>\$ -</u>	<u>\$ 2,352,561</u>
Depreciation was charged as follows:				
Governmental activities:				
General government				\$ 10,350
Public safety				2,607
Highways and streets				<u>36,800</u>
Total governmental activities				<u>\$ 49,757</u>
Business-type activities:				
Gas				\$ 28,673
Water				<u>73,360</u>
Total business-type activities depreciation expense				<u>\$ 102,033</u>

NOTE 6 RESTRICTED

Restricted assets of the enterprise funds were applicable to the following at July 31, 2012:

	Gas Utility Fund	Water Utility Fund
Customer deposits	\$ 25,711	\$ 25,961
Revenue bond reserve fund	-	59,774
Depreciation and contingencies fund	-	18,305
Bond and interest amortization fund	<u>-</u>	<u>17,125</u>
	<u>\$ 25,711</u>	<u>\$ 121,165</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 7 LONG-TERM DEBT

Revenue Bonds

The Village has issued bonds which are payable from a specific revenue source, income derived from the Water Utility System proprietary fund. Proceeds were used for the acquisition and construction of major capital facilities of the waterworks system. These bonds, expected to be paid from the Water Utility System proprietary fund, is reported in that fund. Revenue bonds outstanding at July 31, 2012 are as follows:

	Issue Date	Maturity Date	Interest Rates	Balance Outstanding	Amount Due In One Year
Business-type activities:					
Waterworks Revenue					
Bonds -					
	11/24/1976	1/1/2016	5.000	\$ 47,000	\$ 11,000
	5/4/1982	1/1/2022	5.000	77,000	6,000
	2/10/1993	1/1/2033	5.625	74,768	1,951
	4/21/2005	4/1/2045	4.250	<u>354,545</u>	<u>5,108</u>
Total business-type activities debt				<u>\$ 553,313</u>	<u>\$ 24,059</u>

Debt service requirements to maturity of all bonds outstanding at July 31, 2012 are as follows:

Year	Principal	Interest	Total
2013	\$ 24,059	\$ 25,375	\$ 49,434
2014	24,391	24,194	48,585
2015	26,738	22,997	49,735
2016	28,101	21,684	49,785
2017	15,481	20,303	35,784
2018	16,881	19,554	36,435
2019	17,298	18,736	36,034
2020	18,737	17,898	36,635
2021	19,196	16,989	36,185
2022	20,677	16,058	36,735
2023-2027	61,442	69,731	131,173
2028-2032	77,438	53,732	131,170
2033-2037	70,900	35,646	106,546
2038-2042	80,449	19,941	100,390
2043-2045	<u>51,525</u>	<u>3,130</u>	<u>54,655</u>
	<u>\$ 553,313</u>	<u>\$ 385,968</u>	<u>\$ 939,281</u>

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 7 LONG-TERM DEBT (Continued)

Changes in Long-term Debt

The following is a summary of debt activity for the year ended July 31, 2012:

	Balance 7/31/2011	Additions	Reductions	Balance 7/31/2012
Revenue Bonds	\$ <u>576,056</u>	\$ <u>-</u>	\$ <u>(22,743)</u>	\$ <u>553,313</u>

NOTE 8 AD VALOREM TAXES

Government-wide financial statements –

Property taxes are recognized in the year for which they are levied, net of uncollectible amounts, as applicable.

Fund financial statements –

Ad valorem taxes attach as an enforceable lien on property as of January 1 of each year. Taxes are levied by the Village in October and are actually billed to taxpayers in November or December. Billed taxes become delinquent on January 1 of the following year. Revenues from ad valorem taxes are budgeted in the year billed and recognized as revenue when collected.

The Village bills and collects its own property taxes using the assessed values determined by the Tax Assessor of St. Landry Parish.

For the year ended July 31, 2012, taxes of 5.90 mills were levied on property with assessed valuations of \$756,860 and were dedicated for general corporate purposes.

Total taxes levied were \$4,466 for 2011. Taxes receivable at July 31, 2012, totaled \$19, all of which is considered collectible. No receivable has been recorded for this immaterial amount.

NOTE 9 FLOW OF FUNDS; RESTRICTIONS ON USE – UTILITIES REVENUES

Under the terms of various bond indentures on outstanding Waterworks Revenue Bonds, all income and revenues earned from the operation of the waterworks system are pledged and dedicated to the retirement of said bonds and are to be deposited in funds as follows:

All revenue must be deposited into a System Fund to be first used for the payment of all reasonable and necessary expenses of operating and maintaining the system.

An Amortization Fund (Bond and Interest Sinking Fund) shall be established and maintained by transferring monthly from the System Fund a sum whereby there will accumulate an amount sufficient to pay all interest and principal as it becomes due.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Financial Statements

NOTE 9 FLOW OF FUNDS; RESTRICTIONS ON USE – UTILITIES REVENUES (Continued)

A Reserve Fund shall be established and maintained by transferring each month from the System Fund \$160 until the improvements financed with the 2005 Bonds are accepted and thereafter 5% of the amount paid to the Amortization Fund, until such time as there has been accumulated a sum equal to the highest combined principal and interest falling due in any year on all bonds payable from the sinking fund. These funds shall be retained solely for the purpose of paying the principal and interest on the bonds should the Amortization Fund be in default.

A Depreciation and Contingencies Fund shall be established and maintained by transferring \$210 each month from the System Fund until the improvements financed with the 2005 Bonds are accepted and thereafter 5% of the monthly sum deposited into the Sinking fund until the amount in the Reserve Fund equals the reserve fund requirement. Thereafter, a sum equal to 5% of the sum deposited into the Sinking Fund for the 1976, 1982 and 1993 Bonds and 10% of the sum deposited in the Sinking Fund for the 2005 Bonds. The money shall be used to care for depreciation, extensions, additions, improvements and replacements necessary to operate the system properly. Money in this fund shall also be used for the payment of principal and interest on bonds if there is not sufficient money shall be replaced as soon as possible out of system earnings after all required payments are made.

All required transfers were made for the year ended July 31, 2012.

NOTE 10 RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village purchases commercial insurance to cover any claims related to these risks.

NOTE 12 COMPENSATION OF ELECTED OFFICIALS

A detail of compensation paid to individual elected officials for the year ended July 31, 2012 follows:

Mayor:	
Jeff Benhard, II	\$ 600
Aldermen:	
Nelene Guidroz	2,292
Judy Dupre	2,292
Debra Lynn Coulon	<u>2,292</u>
	<u>\$ 7,476</u>

SUPPLEMENTARY INFORMATION REQUIRED BY GASB STATEMENT 34

VILLAGE OF PALMETTO, LOUISIANA

Budgetary Comparison Schedule
General Fund
Year Ended July 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes	\$ 13,200	\$ 13,300	\$ 13,323	\$ 23
Licenses and permits	20,010	11,006	15,386	4,380
Intergovernmental	25,961	-	-	-
Charges for services	24,010	24,080	23,968	(112)
Fines and forfeits	8,800	8,400	8,245	(155)
Miscellaneous	<u>28,520</u>	<u>27,420</u>	<u>30,145</u>	<u>2,725</u>
Total revenues	<u>120,501</u>	<u>84,206</u>	<u>91,067</u>	<u>6,861</u>
Expenditures:				
Current -				
General government	28,150	26,175	24,435	1,740
Public safety	64,350	73,700	74,207	(507)
Highways and streets	10,200	14,300	15,171	(871)
Capital outlay	<u>25,861</u>	<u>2,200</u>	<u>4,319</u>	<u>(2,119)</u>
Total expenditures	<u>128,561</u>	<u>116,375</u>	<u>118,132</u>	<u>(1,757)</u>
Excess (deficiency) of revenues over expenditures	(8,060)	(32,169)	(27,065)	5,104
Other financing sources (uses):				
Operating transfers in	<u>10,000</u>	<u>32,000</u>	<u>20,000</u>	<u>(12,000)</u>
Net change in fund balance	1,940	(169)	(7,065)	(6,896)
Fund balance, beginning	<u>14,584</u>	<u>14,576</u>	<u>14,576</u>	<u>-</u>
Fund balance, ending	<u>\$ 16,524</u>	<u>\$ 14,407</u>	<u>\$ 7,511</u>	<u>\$ (6,896)</u>

See notes to budgetary comparison schedule.

VILLAGE OF PALMETTO, LOUISIANA

Notes to Budgetary Comparison Schedule

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The Village of Palmetto, Louisiana follows the following procedures in establishing the budgetary data reflected in the financial statements:

1. The Mayor submits a proposed operating budget for the General Fund to the Board of Aldermen prior to the beginning of the fiscal year.
2. The proposed budget is discussed and adopted at the public meeting when presented.
3. The General Fund budget is adopted on a basis consistent with generally accepted accounting principles (GAAP).
4. Any amendment to the adopted budget must be approved by the Board of Aldermen.
5. All appropriations lapse at year end.

All budgeted amounts presented reflect the original budget and the final budget (which has been adjusted for legally authorized revisions during the year).

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Excess of Expenditures Over Appropriations. The following individual fund had actual expenditures in excess of budgeted expenditures for the year ended July 31, 2012:

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Excess</u>
General Fund	\$ <u>128,561</u>	\$ <u>116,375</u>	\$ <u>118,132</u>	\$ <u>(1,757)</u>

SUPPLEMENTARY INFORMATION REQUIRED BY USDA

VILLAGE OF PALMETTO, LOUISIANA

Comparative Balance Sheet
Water Utility Fund
Year Ended July 31, 2012

	2012	2011
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 58,890	\$ 68,892
Certificates of deposit	19,965	19,856
Accounts receivable, net	18,441	20,459
Unbilled services receivable	3,550	4,386
Interfund balances	3,907	3,907
Total current assets	<u>104,753</u>	<u>117,500</u>
NONCURRENT ASSETS		
Restricted assets:		
Cash and cash equivalents	73,203	66,114
Certificates of deposit	47,962	47,701
Total noncurrent assets	<u>121,165</u>	<u>113,815</u>
CAPITAL ASSETS, net of accumulated depreciation	<u>2,079,303</u>	<u>2,131,745</u>
BOND ISSUE COSTS, net of accumulated amortization	<u>4,860</u>	<u>5,008</u>
Total assets	<u>\$ 2,310,081</u>	<u>\$ 2,368,068</u>
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES		
(payable from current assets)		
Accounts payable and accrued expenses	\$ 8,143	\$ 3,420
Total	<u>8,143</u>	<u>3,420</u>
CURRENT LIABILITIES		
(payable from restricted assets)		
Customers' deposits	25,960	23,663
Accrued interest on bonds	7,326	7,637
Bonds payable, due currently	24,059	22,743
Total	<u>57,345</u>	<u>54,043</u>
Total current liabilities	<u>65,488</u>	<u>57,463</u>
NONCURRENT LIABILITIES		
Bonds payable	<u>529,254</u>	<u>553,313</u>
Total liabilities	<u>594,742</u>	<u>610,776</u>
NET ASSETS		
Invested in capital assets, net of related debt	1,525,990	1,555,689
Restricted for debt service	87,878	82,515
Unrestricted	101,471	119,088
Total net assets	<u>1,715,339</u>	<u>1,757,292</u>
Total liabilities and net assets	<u>\$ 2,310,081</u>	<u>\$ 2,368,068</u>

VILLAGE OF PALMETTO, LOUISIANA

Comparative Statement of Revenues, Expenditures and Changes in Fund Net Assets
Water Utility Fund
Year Ended July 31, 2012

	2012	2011
Operating revenues:		
Charges for services	\$ 229,215	\$ 243,432
Other	16,181	16,907
Total operating revenues	<u>245,396</u>	<u>260,339</u>
Operating expenses:		
Personnel costs	99,129	95,586
Operating and maintenance	37,952	33,298
Truck expenses	6,002	7,288
Travel	436	470
Office supplies and expenses	9,539	9,053
Computer	3,757	3,425
Telephone and utilities	18,891	20,011
Insurance	21,139	20,524
Professional fees	4,000	7,000
Depreciation	73,360	73,547
Amortization	147	147
Other	14,442	9,573
Total operating expenses	<u>288,794</u>	<u>279,922</u>
Operating income (loss)	<u>(43,398)</u>	<u>(19,583)</u>
Nonoperating revenues (expenses):		
Interest revenue	513	1,046
Grant revenue	17,112	-
Interest expense	<u>(26,180)</u>	<u>(26,944)</u>
Total nonoperating revenues (expenses)	<u>(8,555)</u>	<u>(25,898)</u>
Income (loss) before transfers	(51,953)	(45,481)
Transfers in (out)	<u>10,000</u>	<u>(14,925)</u>
Change in net assets	(41,953)	(60,406)
Net assets, beginning	<u>1,757,292</u>	<u>1,817,698</u>
Net assets, ending	<u>\$ 1,715,339</u>	<u>\$ 1,757,292</u>

OTHER SUPPLEMENTARY INFORMATION

VILLAGE OF PALMETTO, LOUISIANA

Budgetary Comparison Schedule – Detail of Revenues
General Fund
Year Ended July 31, 2012

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Taxes -				
Ad valorem taxes	\$ 4,300	\$ 4,600	\$ 4,518	\$ (82)
Franchise	8,000	7,400	7,494	94
Housing authority in lieu of taxes	900	1,300	1,311	11
Licenses and permits	20,010	11,006	15,386	4,380
Intergovernmental -				
State grant revenue	14,000	-	-	-
Local grant revenue	11,861	-	-	-
Beer and tobacco tax	100	-	-	-
Charges for services -				
Grass cutting	24,000	24,000	23,877	(123)
Other	10	80	91	11
Fines and forfeits	8,800	8,400	8,245	(155)
Miscellaneous -				
Racino revenue	28,000	26,500	29,017	2,517
Other	<u>520</u>	<u>920</u>	<u>1,128</u>	<u>208</u>
Total revenues	<u>\$ 120,501</u>	<u>\$ 84,206</u>	<u>\$ 91,067</u>	<u>\$ 6,861</u>

VILLAGE OF PALMETTO, LOUISIANA

Budgetary Comparison Schedule – Detail of Expenditures
General Fund
Year Ended July 31, 2012

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Current:				
General government -				
Mayor's salary	\$ 300	\$ 300	\$ 300	\$ -
Clerk's salary	7,200	5,600	5,421	179
Payroll taxes	700	500	417	83
Bank service charges	200	150	147	3
Advertising	500	300	157	143
Travel and meetings	500	1,500	1,425	75
Tax roll preparation	300	275	274	1
Insurance	10,000	11,000	9,662	1,338
Town hall expense	1,500	2,200	2,382	(182)
Municipal dues	900	500	456	44
Professional fees	3,650	2,150	2,150	-
Office supplies	1,200	500	628	(128)
Computer repair and maintenance	-	300	334	(34)
Miscellaneous	1,200	900	682	218
Total general government	<u>28,150</u>	<u>26,175</u>	<u>24,435</u>	<u>1,740</u>
Public safety -				
Police department:				
Police salaries	55,000	56,000	56,767	(767)
Payroll taxes	4,300	4,300	4,136	164
Uniforms	-	600	563	37
Supplies and auto expenses	3,050	10,700	10,833	(133)
Travel and meetings	-	900	833	67
Miscellaneous	2,000	1,200	1,075	125
Total public safety	<u>64,350</u>	<u>73,700</u>	<u>74,207</u>	<u>(507)</u>
Highways and streets -				
Street supplies	5,000	6,500	6,272	228
Auto expenses	4,200	5,800	7,252	
Tractor expenses	1,000	2,000	1,647	353
Total highways and streets	<u>10,200</u>	<u>14,300</u>	<u>15,171</u>	<u>(871)</u>
Capital outlay	<u>25,861</u>	<u>2,200</u>	<u>4,319</u>	<u>(2,119)</u>
Total expenditures	<u>\$ 128,561</u>	<u>\$ 116,375</u>	<u>\$ 118,132</u>	<u>\$ (1,757)</u>

**INTERNAL CONTROL, COMPLIANCE
AND
OTHER MATTERS**



Independent Auditor's Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
Government Auditing Standards

The Honorable Jeff Benhard, II, Mayor
and the Board of Aldermen
Palmetto, Louisiana

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We have audited the financial statements of the governmental activities, the business-type activities, and each major fund of the Village of Palmetto, Louisiana, as of and for the year ended July 31, 2012, which collectively comprise the Village's basic financial statements and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Village of Palmetto, Louisiana, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Village's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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A *deficiency in internal control* exists when the design or operation of a control does not all management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompany schedule of findings and questioned costs, as item 12-1, to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs, item 12-1, to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Palmetto, Louisiana's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Village of Palmetto, Louisiana's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Village of Palmetto, Louisiana's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, Board of Aldermen, others with the entity, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specifies parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document, therefore its distributions not limited.

Dannall, Sikes, Gaudes & Frederick

A Corporation of Certified Public Accountants

Eunice, Louisiana
January 30, 2013

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Prior Year Finding
Year Ended July 31, 2012

11-1 Segregation of Duties

Recommendation:

Keeping in mind the limited number of employees to which duties can be assigned, the Village should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

Current Status:

This finding is included in the current year's schedule of findings and responses. The Village has provided as much segregation as possible with the resources available.

11-2 Credit Cards

Recommendation:

Establish a written credit card use policy and the Village Clerk monitor the credit card statements more closely to ensure there are no future personal charges made.

Current Status:

This finding has been resolved.

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Findings and Questioned Costs Year Ended July 31, 2012

We have audited the basic financial statements of the Village of Palmetto, as of and for the year ended July 31, 2012, and have issued our report thereon dated January 30, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Section I Summary of Auditor's Results

FINANCIAL STATEMENTS

Auditor's Report

An unqualified opinion has been issued on the Village of Palmetto, Louisiana's financial statements as of and for the year ended July 31, 2012.

Material Weakness and Significant Deficiencies - Financial Reporting

One significant deficiency in internal control over financial reporting was disclosed during the audit of the financial statements and is shown as item 12-1 in Section II.

Material Noncompliance - Financial Reporting

There were no instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the fiscal year ended July 31, 2012.

Section II Findings Relating to an Audit in Accordance with *Government Auditing Standards*

12-1 Segregation of Duties

Finding:

Due to the size of the Village, an adequate segregation of duties does not exist in the administrative offices. A system of internal control procedures contemplates a segregation of duties so that no one individual handles a transaction from its inception to its completion. While we recognize that the Village may not be large enough to permit an adequate segregation of duties for an effective system of internal control procedures, it is important that you be aware of this condition. This condition was also included in the 2011 audit as item 11-1.

VILLAGE OF PALMETTO, LOUISIANA

Schedule of Findings and Questioned Costs (Continued)
Year Ended July 31, 2012

Recommendation:

Keeping in mind the limited number of employees to which duties can be assigned, the Village should monitor assignment of duties to assure as much segregation of duties and responsibility as possible.

VILLAGE OF PALMETTO, LOUISIANA

Management Corrective Action Plan
Year Ended July 31, 2012

Response to Finding 12-1

Segregation of Duties

The Village is unable to segregate duties anymore at this time considering the resources available. However, the Mayor oversees the operations on a daily basis and the Board of Aldermen approves all bills for payment at the monthly meetings.